

## Message Text

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70

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

DOTE-00 INR-07 NSAE-00 RSC-01 FAA-00 L-02 NSC-05 SS-15

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R 042259Z DEC 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5132

UNCLAS OTTAWA 3947

E.O. 11652: N/A

TAGS: EAIR, CA

SUBJ: CIVAIR: AIR CANADA/WARDAIR PLANS CANCELED

REF: OTTAWA 2076, NOV 15, 1972

1. AIR CANADA HAS DROPPED ITS PLANS TO ACQUIRE ONE-THIRD INTEREST IN WARDAIR CANADA LTD., CANADA'S LARGEST CHARTER AIRLINE. THE PROPOSAL ANNOUNCED IN LATE 1972 WAS FOUGHT BITTERLY BY CP AIR AND SOME REGIONAL CARRIERS WHO MAINTAINED IT WOULD REDUCE COMPETITION IN CHARTER FIELD. HOWEVER, PLAN WAS APPROVED IN 1973 BY CANADIAN TRANSPORT COMMISSION (CTC), AND, ON APPEAL, BY CABINET IN SPRING OF 1974.

2. AIR CANADA'S ORIGINAL PROPOSAL DID NOT INVOLVE A FIRM PRICE TO BE PAID FOR THE 3.2 MILLION SHARES TO BE ACQUIRED. WHEN ACTIVE NEGOTIATIONS RESUMED THIS SUMMER WARDAIR SOUGHT A MAJOR INCREASE IN THE \$2.50 PER SHARE PRICE DISCUSSED IN 1972. (PRESS REPORTS INDICATE THAT WARDAIR'S 1972 PROFIT WAS 8.4 CENTS PER SHARE, 90 CENTS IN FIRST NINE MONTHS OF 1973, AND \$1.37 IN SAME PERIOD OF 1974.) AIR CANADA, HOWEVER, WAS NOT PREPARED TO RAISE ITS OFFER SIGNIFICANTLY.

3. COMMENT: AIR CANADA'S FINANCIAL SITUATION WAS UNCLASSIFIED

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UNDOUBTEDLY A FACTOR IN ITS RELUCTANCE TO PAY MORE.

AFTER OPERATING AT A PROFIT FOR SEVERAL YEARS THE CARRIER EXPECTS TO POST A SIZEABLE DEFICIT THIS YEAR. OUR 1804 REPORTED THE DEFICIT WOULD BE IN THE VICINITY OF \$10 MILLION AS OF LAST JUNE. WE NOW UNDERSTAND THIS FIGURE HAS CREPT UP TO ABOUT D15 MILLION IN SPITE OF HIGHER AIR FARES.

4. AN INDUSTRY SOURCE HAS ADVISED THAT HE EXPECTS RENEWED EFFORTS TO ASSOCIATE THESE CARRIERS, PERHAPS IN EARLY 1976 WHEN AIR CANADA'S FINANCIAL POSITION MAY BE BRIGHTER. HOWEVER, HE BELIEVES THIS WILL REQUIRE NEW PROCEEDINGS AT CTC TO SECURE APPROVAL AND THAT CP AIR WILL CONTINUE TO OPPOSE THE ASSOCIATION. JOHNSON

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## Message Attributes

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**Disposition Case Number:** n/a  
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